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SUBJECT: YUGOSLAVIA ECONOMIC TRENDS: JANUARY- APRIL 1973

REF: A. BELGRADE 1731 B. BELGRADE 2163 C. BELGRADE 2206

D. BELGRADE A-272 E. BELGRADE A-283

1. BEGIN SUMMARY. CONTINUED GOOD EXPORT GROWTH AND INVISIBLE EARNINGS REMAIN BRIGHTEST ASPECT OF OVERALL YUGOSLAV ECONOMY, ALTHOUGH IMPORTS UP 36 PERCENT FOR FIRST FOUR MONTHS 1972. INTERNAL ECONOMIC PERFORMANCE IS MIXED. INTERNAL DEMAND COMING UNDER CONTROL, BUT INFLATIONARY PRESSURES STRONG REFLECTING SUPPLY SHORTAGES, AND HIGH DINAR COST FOR IMPORTS AS RESULT DEVALUATION. GOVERNMENT FORMALLY READJUSTED 1973 ANTI- INFLATIONARY GOALS UPWARD IN MAY; NOW HOPES TO HOLD COST OF LIVING TO 15 PERCENT. GIVEN ADMITTED DROP IN REAL PERSONAL INCOME, PRESSURE FOR WAGE

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INCREASES IN COMING MONTHS MAY BE IRRESISTIBLE. END SUMMARY.

2. PRELIMINARY DATA FOR FIRST FOUR MONTHS 1973 SHOW EXPORTS UP 16 PERCENT WHILE IMPORTS ROSE 36 PERCENT BY COMPARISON FIRST FOUR MONTHS 1972. JANUARY/ APRIL TRADE DEFICIT THUS \$490 MILLION (EXPORTS \$773 MILLION/ IMPORTS \$1263 MILLION AT 17 ND - \$1 RATE). IMPORT BILL CONTINUES HIGH BY COMPARISON FIRST FOUR MONTHS 1972, IN PART DUE TO HIGHER RAW MATERIAL PRICES, DEVALUATION EFFECTS AND NECESSITY REPLENISH INVENTORIES. DESPITE GOOD EXPORT PERFORMANCE SO FAR THIS YEAR, TRADE DEFICIT FIRST 4 MONTHS OF 1973 IS 87 PERCENT GREATER THAN REGISTERED IN FIRST 4 MONTHS OF 1972. BY COMPARISON FIRST FOUR MONTHS 1972, EXPORTS TO CONVERTIBLE CURRENCY AREA WERE UP 21 PERCENT, TO CLEARING AREA UP 9 PERCENT, TO OTHERS DOWN 4 PERCENT. IMPORTS FROM CONVERTIBLE CURRENCY AREA WERE UP 36 PERCENT, FROM CLEARING AREA UP 35 PERCENT, AND FROM OTHERS UP 59 PERCENT. EXPORTS LED BY INDUSTRIAL PRODUCTS.

3. BUOYANT INVISIBLES INFLOW CONTINUES AND WILL PROBABLY OFFSET INCREASED TRADE DEFICIT. WORKERS' REMITTANCES FOR FIRST TWO MONTHS 1973 WERE \$228.3 MILLION UP 30 PERCENT OVER FIRST TWO MONTHS 1972. FOREIGN EXCHANGE INFLOW FROM TOURISM UP 35 PERCENT IN FIRST TWO MONTHS TO \$63 MILLION, WITH TRANSPORTATION AND OTHER RECEIPTS UP 59 PERCENT.

4. OVERALL INDUSTRIAL PRODUCTION UP 7.2 PERCENT OVER FIRST FOUR MONTHS 1972. OVERALL EXPANSION BY COMPARISON TO FIRST FOUR MONTHS OF 1972 MASKS UNEVEN SECTORAL GROWTH, HOWEVER, AS WELL AS FLUCTUATING GROWTH IN MONTHLY PRODUCTION. COMPARED TO PREVIOUS MONTH, JANUARY 1973 PRODUCTION DOWN 12 PERCENT; FEBRUARY UP 3 PERCENT; MARCH UP 9 PERCENT; AND APRIL UP 2 PERCENT. LJUBLJANA LAW FACULTY ECONOMICS INSTITUTE SURVEY REPORTEDLY SHOWN PRODUCTION RATES DECLINING IN 14 MAJOR SECTORS; STAGNATING IN TWO AND INCREASING IN ONLY THREE. SAME INSTITUTE ALSO REPORTS THAT OVERALL INDUSTRIAL INVENTORIES STOOD 6.2 PERCENT HIGHER IN MARCH OF THIS YEAR THEN IN DECEMBER 1972. RETAIL SALES REPORTEDLY PICKED UP IN MARCH AND APRIL BY COMPARISON TO POOR SALES FIGURES REGISTERED IN JANUARY AND FEBRUARY. IN CONSTANT PRICES, HOWEVER, ACCORDING TO FEDERAL STATISTICAL INSTITUTE, RETAIL SALES IN FIRST QUARTER 1973 UP ONLY 6 PERCENT OVER FIRST QUARTER 1972.

5. INFLATIONARY PRICE PRESSURES CONTINUED UNABATED IN APRIL
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DESPITE APPARENT EASING IN CONSUMER DEMAND. CTUY CLAIMS REAL PERSONAL INCOME IS DOWN 8.4 PERCENT IN FIRST QUARTER 1973. THROUGH FIRST FOUR MONTHS 1973, RETAIL PRICES ARE UP 6 PERCENT; PRODUCER PRICES ARE UP 3 PERCENT AND COST OF LIVING IS UP 5 PERCENT, COMPARED TO DECEMBER 1972. COMPARED TO FIRST FOUR MONTHS 1972, RETAIL PRICES UP 18 PERCENT, PRODUCER PRICES UP 10.4 PERCENT, AGRICULTURAL PRICES UP 34 PERCENT AND COST OF LIVING UP 20 PERCENT.

FOREGOING REALITIES CAUSED GOVERNMENT TO FORMALLY READJUST UPWARD
ITS 1973 ANTI- INFLATIONARY GOALS TO 9 PERCENT INCREASE IN RETAIL
PRICE AND 15 PERCENT INCREASE IN COST OF LIVING (REF B).

6. DISPARITY IN INVESTMENT RATES BETWEEN PRODUCTIVE AND NON-
PRODUCTIVE SECTORS CONTINUES TO BE MAJOR CONCERN OF GOVERNMENT.
CHRONIC CAPITAL SHORTAGE AND RELIANCE ON BANK FINANCING IS
ILLUSTRATED BY RECENTLY PUBLISHED FIGURES WHICH REPORT CAPITAL
ACCUMULATION IN PRODUCTIVE SECTOR DECLINED FROM 7 PERCENT IN
1971 TO 5.4 PERCENT IN 1972. GOVERNMENT IS TAKING VARIETY
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